

# Disclosure Brochure

March 25, 2022

## LOUNTZIS<sup>®</sup> ASSET MANAGEMENT, LLC

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This brochure provides information about the qualifications and business practices of Lountzis Asset Management, LLC (hereinafter “Lountzis Asset Management” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Lountzis Asset Management is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Lountzis Asset Management is a registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

In this Item, Lountzis Asset Management is required to discuss any material changes which have been made to the brochure since the last annual amendment filed March 10, 2021. The Firm has updated Item 5 to clarify that it applies its advisory fee to cash holdings. There are no other changes to disclose in relation to this Item.

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## Item 4. Advisory Business

Lountzis Asset Management is an independent registered investment adviser founded by its Principal, Paul J. Lountzis, in October 2000 to manage customized portfolios serving high net worth individuals, institutions and retirement plans. Prior to engaging Lountzis Asset Management to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Lountzis Asset Management setting forth the terms and conditions under which Lountzis Asset Management renders its services (collectively, the “*Agreement*”).

As of December 31, 2021, Lountzis Asset Management had \$415,550,049 in assets under management, all of which was managed on a discretionary basis.

This disclosure brochure describes the business of Lountzis Asset Management. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Lountzis Asset Management’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees or any other person who provides investment advice on Lountzis Asset Management’s behalf and is subject to Lountzis Asset Management’s supervision or control.

### Investment Management Services

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Lountzis Asset Management manages client investment portfolios on a discretionary basis by primarily allocating client assets among various individual debt and equity securities. In addition, Lountzis Asset Management also recommends that certain clients who qualify as accredited investors, as defined by Rule 501 of the Securities Act of 1933, invest in privately placed securities, which may include debt, equity and/or pooled investment vehicles (e.g., hedge funds). The Firm also provides advice about any type of legacy position or investment otherwise held in its clients’ portfolios.

Clients may also engage Lountzis Asset Management to advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts, and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Lountzis Asset Management directs or recommends the allocation of client assets among the various investment options available with the product. These assets are maintained at the underwriting insurance company or the custodian designated by the product’s provider.

Lountzis Asset Management tailors its advisory services to accommodate the needs of its individual clients and continuously seeks to ensure that its clients’ portfolios are managed in a manner consistent with their specific investment profiles. Lountzis Asset Management consults with clients on an initial and ongoing basis to determine their specific risk tolerance, time horizon, liquidity constraints and other factors relevant to the management of their portfolios. Clients are advised to promptly notify Lountzis Asset Management if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if Lountzis Asset Management determines, in its sole discretion, the

conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### Financial Planning Services

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Lountzis Asset Management offers clients limited financial planning services, which include any or all of the following functions:

- Business Planning
- Cash Flow Forecasting
- Trust and Estate Planning
- Financial Reporting
- Investment Consulting
- Insurance Planning
- Retirement Planning
- Risk Management
- Charitable Giving
- Distribution Planning
- Tax Planning
- Education Planning

These services are generally rendered in conjunction with the firm's investment management services and are not available on a stand-alone basis. In performing these services, Lountzis Asset Management is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.,) and is expressly authorized to rely on such information. Lountzis Asset Management recommends certain clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage Lountzis Asset Management or its affiliates to provide (or continue to provide) additional services for compensation, including investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Lountzis Asset Management under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Lountzis Asset Management's recommendations and/or services.

### Management of Collective Investment Vehicle

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Lountzis Asset Management is the investment manager of Achtinon Capital Partners, LP ("*Achtinon*"), a Delaware limited partnership formed in December 2001 to invest and trade in securities. *Achtinon*'s general partner is Achtinon Capital Management, LP, a Pennsylvania limited partnership (the "General Partner") which is controlled by Achtinon Capital Management, LLC, a Pennsylvania limited liability

company. Paul J. Lountzis, the Principal of Lountzis Asset Management, is the managing member of Achtinon Capital Management, LLC and is ultimately responsible for managing the business of *Achtinon*.

Interests in *Achtinon* are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. *Achtinon* currently relies on an exemption from registration under Section 3(c)(1) of the Investment Company Act of 1940, as amended. Participation as an investor in *Achtinon* is restricted to investors that are qualified clients pursuant to the requirements under Rule 205-3 under the Advisers Act, as well as are “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended.

*Achtinon*’s investment guidelines are to seek capital appreciation and long term capital gains tax treatment over an intermediate to long term time horizon by primarily investing in equity securities of companies that it believes to be undervalued because the fundamental valuation as determined by Lountzis Asset Management is materially different from the “market’s” perception.

The minimum to invest in *Achtinon* is \$1,000,000, subject to waiver at the discretion of the General Partner. To the extent certain of Lountzis Asset Management’s individual advisory clients qualify, they will be eligible to participate as limited partners of *Achtinon*. Investment in *Achtinon* involves a significant degree of risk. All relevant information, terms and conditions relative to *Achtinon*, including the compensation received by Lountzis Asset Management as investment manager and the General Partner as sponsor and administrator, suitability, risk factors and potential conflicts of interest, are set forth in the Confidential Private Offering Memorandum (the “*Memorandum*”), Limited Partnership Agreement (the “*Agreement*”) and Subscription Agreement, which each limited partner is required to receive and execute prior to being accepted as a limited partner of *Achtinon* (collectively, the “*Offering Documents*”).

As further discussed in the *Offering Documents* of *Achtinon*, Lountzis Asset Management receives an annual investment management fee of 1% (assessed quarterly) for serving as the investment manager of *Achtinon*. The General Partner, in accordance with the terms and conditions specifically set forth in the *Offering Documents*, receives performance-based compensation in accordance with the requirements under Rule 205-3 of the Investment Advisers Act of 1940, as amended.

While *Achtinon* itself is Lountzis Asset Management’s client, for purposes of this brochure, the term “client(s)” sometimes refers to the investors in *Achtinon*.

Lountzis Asset Management will devote its best efforts with respect to its management of both *Achtinon* and its individual client accounts. Given the above discussion relative to the objectives, suitability, risk factors and qualifications for participation in *Achtinon*, Lountzis Asset Management may give advice or take action with respect to *Achtinon* that differs from that for individual client accounts. To the extent that a particular investment is suitable for both *Achtinon* and certain individual client accounts, such investments will be allocated between *Achtinon* and the individual client accounts pro rata based on the assets under management or in some other manner which Lountzis Asset Management determines is fair and equitable under the circumstances to all of its clients.

## Item 5. Fees and Compensation

### Investment Management Fee

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In the event the client determines to engage Lountzis Asset Management to provide investment management services, Lountzis Asset Management does so on a fee basis. Lountzis Asset Management charges an annual fee equal to 100 basis points (1.00%) of the market value of the assets being managed by Lountzis Asset Management. This fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Lountzis Asset Management on the last day of the previous quarter. Lountzis Asset Management's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees and other related costs and expenses which is incurred by the client. Lountzis Asset Management does not, however, receive any portion of these commissions, fees and costs.

Lountzis Asset Management applies its investment management fee to all assets being managed by the Firm. These assets will include cash and cash equivalents. Under some market conditions, the Firm's annual fee will exceed returns on cash and cash equivalents. Lountzis Asset Management has procedures in place to ensure that cash balances in client accounts are in the best interest of the client and meet at least one of the following investment objectives: (1) having an allocation to cash as an asset class; (2) facilitating transaction execution; (3) having available funds to pay the fees charged to the account; (4) providing for asset protection and/optionality during periods of volatile market conditions.

### Fee Discretion

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Lountzis Asset Management, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### Fees Charged by Financial Institutions

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As further discussed in response to Item 12 (below), Lountzis Asset Management recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*") for investment management accounts.

Lountzis Asset Management may only implement its investment management recommendations after the client has arranged for and furnished Lountzis Asset Management with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Schwab*, any other broker-dealer recommended by Lountzis Asset Management, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as brokerage commissions, transaction fees, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Lountzis Asset Management's fee.

#### **Fee Debit**

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Lountzis Asset Management's *Agreement* and the separate agreement with any *Financial Institutions* authorize Lountzis Asset Management to debit the client's account for the amount of Lountzis Asset Management's fee and to directly remit that management fee to Lountzis Asset Management. Any *Financial Institutions* recommended by Lountzis Asset Management have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Lountzis Asset Management.

#### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis. The *Agreement* between Lountzis Asset Management and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Lountzis Asset Management's fees shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate.

Additions may be in cash or securities provided that Lountzis Asset Management reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Lountzis Asset Management may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.



**Item 6. Performance-Based Fees and Side-by-Side Management**

Lountzis Asset Management does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## Item 7. Types of Clients

Lountzis Asset Management provides its services to individuals, investment limited partnerships, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Account Size

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As a condition for starting and maintaining a relationship, Lountzis Asset Management imposes a minimum portfolio size of \$1,000,000. Lountzis Asset Management, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention and *pro bono* activities. Lountzis Asset Management shall only accept clients with less than the minimum portfolio size if, in the sole opinion of Lountzis Asset Management, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Lountzis Asset Management may aggregate the portfolios of family members to meet the minimum portfolio size.

## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

### Methods of Analysis

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Lountzis Asset Management utilizes largely fundamental method of analysis. Fundamental analysis involves an evaluation of an issuer's fundamental financial condition and competitive position. Lountzis Asset Management generally analyzes an issuer's financial condition, capabilities of management, growth prospects, earnings capacity, new products and services, as well as the company's position amongst its industry competitors in order to determine the recommendations made to clients. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

### Investment Strategies

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Lountzis Asset Management's investment management strategy is characterized by a concentrated portfolio of equity holdings, low turnover and the use of primary, field-based research to supplement traditional third-party research. This forms the foundation for which Lountzis Asset Management determines the securities to be purchased for client accounts.

Lountzis Asset Management develops an in-depth knowledge of a company's core financial characteristics and an understanding of the industry within which it operates. Lountzis Asset Management focuses on understanding businesses it believes are operated by high quality management teams that are selling at attractive valuations. Lountzis Asset Management considers both domestic and foreign securities of varying market capitalizations as holdings within client accounts.

### Risks of Loss

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#### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear potential loss.

#### *Market Risks*

The profitability of a significant portion of Lountzis Asset Management's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other assets classes. There can be no assurance that Lountzis Asset Management will be able to predict those price movements accurately.

#### *Use of Private Collective Investment Vehicles*

Lountzis Asset Management recommends that certain clients invest in privately placed collective investment vehicles (e.g., hedge funds, private equity funds, etc.), including one managed by the Firm. The managers of these vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no

requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. Clients should consult each fund's private placement memorandum and/or other documents explaining such risks prior to investing.

#### *Equity-Related Securities and Instruments*

The Firm may take long and short positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, midcapitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

## Item 9. Disciplinary Information

Lountzis Asset Management is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Lountzis Asset Management does not have any required disclosures to this Item.

## **Item 10. Other Financial Industry Activities and Affiliations**

### **Affiliated Private Investment Fund**

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As described at length in Item 4, Lountzis Asset Management serves as the investment manager to *Achthon*, an affiliated private investment fund.

## Item 11. Code of Ethics

Lountzis Asset Management has adopted a code of ethics in compliance with applicable securities laws (“*Code of Ethics*”) that sets forth the standards of conduct expected of its *Supervised Persons*. Lountzis Asset Management’s *Code of Ethics* contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its *Supervised Persons* and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The *Code of Ethics* also requires certain of Lountzis Asset Management’s personnel (called “*Access Persons*”) to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, Lountzis Asset Management *Supervised Persons* are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the Firm’s policies and procedures. This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client where there may be a potential for conflict, no *Access Person* may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact the Firm to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, Lountzis Asset Management shall recommend that clients utilize the brokerage and clearing services of *Schwab*.

Factors which Lountzis Asset Management considers in recommending *Schwab* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Schwab* enables Lountzis Asset Management to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Schwab* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Lountzis Asset Management's clients comply with Lountzis Asset Management's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Lountzis Asset Management determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Lountzis Asset Management seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Lountzis Asset Management periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Lountzis Asset Management in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Lountzis Asset Management will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Lountzis Asset Management (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Lountzis Asset Management may decline a client's request to direct brokerage if, in Lountzis Asset Management's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client will be effected independently, unless Lountzis Asset Management decides to purchase or sell the same securities for several clients at approximately the same time. Lountzis Asset Management may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Lountzis Asset Management's clients differences in prices and commissions or other transaction costs that might have been obtained



had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among Lountzis Asset Management's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Lountzis Asset Management determines to aggregate client orders for the purchase or sale of securities, including securities in which Lountzis Asset Management's *Supervised Persons* may invest, Lountzis Asset Management shall do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Lountzis Asset Management shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that Lountzis Asset Management determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Lountzis Asset Management may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Lountzis Asset Management in its investment decision-making process. Such research generally will be used to service all of Lountzis Asset Management's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Lountzis Asset Management does not have to produce or pay for the products or services.

#### **Software and Support Provided by Financial Institutions**

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Lountzis Asset Management may receive from *Schwab*, without cost to Lountzis Asset Management, computer software and related systems support, which allow Lountzis Asset Management to better monitor client accounts maintained at *Schwab*. Lountzis Asset Management may receive the software and related support without cost because Lountzis Asset Management renders investment management services to clients that maintain assets at *Schwab*. These benefits are not tied directly to client account

transactions (i.e., not “soft dollars”). The software and related systems support may benefit Lountzis Asset Management, but not its clients directly. In fulfilling its duties to its clients, Lountzis Asset Management endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Lountzis Asset Management’s receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Lountzis Asset Management’s choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support or services.

Additionally, Lountzis Asset Management may receive the following benefits from *Schwab* through its institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

## Item 13. Review of Accounts

### Account Reviews

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For those clients to whom Lountzis Asset Management provides investment management services, Lountzis Asset Management monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Principal of Lountzis Asset Management, Paul J. Lountzis. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Lountzis Asset Management and to keep Lountzis Asset Management informed of any changes thereto. Lountzis Asset Management shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### General Reports and Account Statements

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Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Lountzis Asset Management provides investment advisory services will also receive a report from Lountzis Asset Management that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from Lountzis Asset Management.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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Lountzis Asset Management does not currently compensate any third solicitors for client referrals. If a client is introduced to Lountzis Asset Management by either an unaffiliated or an affiliated solicitor, Lountzis Asset Management pays that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid by the client in addition to Lountzis Asset Management's investment management fee. If the client is introduced to Lountzis Asset Management by an unaffiliated solicitor, the solicitor provides the client with a copy of Lountzis Asset Management's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure brochure, containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Lountzis Asset Management is required to disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Lountzis Asset Management's written disclosure brochure at the time of the solicitation.

### Other Economic Benefit

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Lountzis Asset Management also receives economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12.

## Item 15. Custody

Lountzis Asset Management is deemed to have custody over a client's assets when it is authorized to directly debit a client's account for payment of the Firm's quarterly management fee. In accordance with applicable custody rules, the *Financial Institutions* recommended by Lountzis Asset Management have agreed to send statements to clients, not less than quarterly, indicating all amounts paid to Lountzis Asset Management and/or the *Independent Managers* engaged to manage their accounts.

As discussed in Item 13, Lountzis Asset Management and/or a third-party vendor may also send periodic reports to clients. Clients are advised to carefully review the statements and confirmations sent directly by the *Financial Institutions* and to compare them with any reports received from Lountzis Asset Management or an outside service provider.

### Private Fund

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Lountzis Asset Management acts as investment adviser to *Achtinon* and due to Lountzis Asset Management's affiliation with the general partner of *Achtinon*, the Firm is deemed to have custody of client assets. As such, Lountzis Asset Management engages an independent public accountant registered with, and subject to regulatory inspection by, the Public Accounting Oversight Board (PCAOB) to conduct an annual audit of the Fund. The Firm distributes the audited financials to each investor within 120 days of the Fund's fiscal year-end.

### Surprise Independent Examination

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As Lountzis Asset Management is deemed to have custody over clients' cash, bank accounts or securities (for reasons other than those discussed above), the Firm is required to engage an independent accounting Firm to perform a surprise annual examination of those assets and accounts over which it maintains custody. Any related opinions issued by an independent accounting Firm are filed with the SEC and are publicly available on the SEC's Investment Adviser Public Disclosure website. Lountzis Asset Management does not have direct access to client funds as they are maintained with an independent qualified custodian.

## Item 16. Investment Discretion

Lountzis Asset Management is given the authority to exercise discretion on behalf of clients. Lountzis Asset Management is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Lountzis Asset Management is given this authority through a power-of-attorney included in the agreement between Lountzis Asset Management and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Lountzis Asset Management takes discretion over the following activities:

- The securities to be purchased or sold;

- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Financial Institutions* to be utilized.

## Item 17. Voting Client Securities

Lountzis Asset Management may vote client securities (proxies) on behalf of its clients. When Lountzis Asset Management accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in Lountzis Asset Management's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Lountzis Asset Management's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Lountzis Asset Management to request information about how Lountzis Asset Management voted proxies for that client's securities or to get a copy of Lountzis Asset Management's Proxy Voting Policies and Procedures. A brief summary of Lountzis Asset Management's Proxy Voting Policies and Procedures is as follows:

- Lountzis Asset Management has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to Lountzis Asset Management's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Lountzis Asset Management devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Lountzis Asset Management's vote on a particular solicitation but can revoke Lountzis Asset Management's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Lountzis Asset Management maintains with persons having an interest in the outcome of certain votes, Lountzis Asset Management takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

## Item 18. Financial Information

Lountzis Asset Management is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.



LOUNTZIS® ASSET MANAGEMENT, LLC

Prepared by:



MARKETCOUNSEL®  
*The Adviser's Advisor®*